



Stanislaus County

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February 28, 1978

To: Board of Supervisors
From: Chief Administrative Officer
Subject: Proposition 13, the Jarvis-Gann Initiative

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This is a report on Proposition 13, the Jarvis-Gann Initiative which will be on the June 6 ballot. Attached to the report: the text of the initiative; a table prepared by Assessor K. V. Broadwell showing estimated tax revenue losses; an analysis by Assemblyman Thurman's office and articles from publications.

The Jarvis-Gann initiative is a reflection of voter frustration over tax burdens. Many people are mad at state government officials--their failure to provide property tax relief.

The authors of the initiative have seized upon this anger and have written a proposition which, if passed, can only result in severe difficulties for citizens who need and require local government services--unless replacement money is provided by state government. And if income and sales taxes are raised to replace the money, the people the initiative seeks to help might be hurt.

What the initiative would do

The purpose of the initiative is to limit the amount of property taxes that could be collected from real property--homes and business. Specifically it would:

- Set a maximum ~~tax~~ ^{tax} rate on real property of 1% of full cash value.
- Require counties to levy the 1% tax and "apportion it according to law to the districts within the counties."
- Establish as a basis for "full cash value" the assessor's appraised value as of March 1, 1975. Property later sold or improved could be reappraised to current market value.
- Limit increases in fair market value of property to 2% a year.

(over)

- Require an affirmative vote of 2/3 of the "qualified electors" of any respective taxing entity to increase special taxes other than property taxes.
- Prohibit the legislature from raising or increasing any other taxes to make up for any loss unless 2/3 of each House approves.

The provision prohibiting the legislature from raising or increasing taxes becomes effective immediately upon passage of the proposition. All other provisions would take effect July 1, 1978.

Questions and problems

The 1% limitation. Since the 1% limitation in the initiative applies to real property, we assume there will be no change in the method of assessing personal property on the secured roll and all property on the unsecured roll. The proposition is not clear as to whether or not the 1% limitation applies before or after the existing homeowner's exemption is taken by the homeowner. This may require legislative or judicial decision.

Method of apportionment. The proposition does not spell out how counties would apportion the 1% tax to districts. All it says is that this would be done according to law. Presumably the legislature would have to pass a law to make this clear. Since the proposition refers to "districts within the counties," it is not clear that it even includes cities and counties as recipients.

Utility roll. Section one of the initiative says the tax on real property shall not exceed 1% of full cash value. Section two says full cash value means the county assessor's valuation of real property. What about the property of public utilities, the value of which is determined not by the county assessor but by the State Board of Equalization? Will their taxes be limited to 1%? Or will their taxes be exempt from the 1% limit because their values are not determined by the county assessor?

Full cash value. The proposition establishes as a basis for "full cash value" the county assessor's appraised values as of March 1, 1975. Some of the assessor's more recent values will have to be dropped to the 1975 level. The proposition also permits the assessor to raise the value of property which is below the 1975-76 levels. An unanswered question concerns newly-constructed property. If there is an addition to old property, may the entire property be reappraised or just the addition? Recordkeeping in the assessor's office will be monumental.

Reappraisal of property subsequently sold. There is the possibility that neighbors owning identical homes side-by-side might pay different amounts of property taxes because of the provision in the initiative that would allow property to be reappraised when it is sold. For example, take two identical homes built at the same time and at the same cost. Several years later one of the original owners sells. At that time the initiative says the home which is sold may be reappraised at a higher value than the other one. The new owner is obviously going to be paying a higher tax than the original owner of the other house. This is an obvious inequity which denies taxpayers equal protection under the law. When any type of property receives preferential treatment, the value of such commodity becomes more attractive. Hence, the Jarvis-Gann initiative undoubtedly will add to inflation and increase real estate values.

Impact on homeowners and renters. The 1% limit of full cash value would mean a substantial immediate reduction for homeowners. There is no similar guarantee of relief for renters because they are not mentioned. The tax savings for homeowners would be less than what it appears because there would be lower property tax deductions on federal and state income tax returns. The Assembly Committee on Revenue and Taxation estimates that \$3.2 billion of the \$7 to \$8 billion savings would go to the federal government in higher income taxes paid by homeowners and business. Since about 60% of property taxes are paid by business and industry, they will benefit more than homeowners. If state government is not careful in providing replacement revenue, there is the possibility Proposition 13 could lead to a significant shift in the tax burden from business and industry to individuals because individuals pay 82% of state income taxes and 65% of sales taxes.

Services. The proposition is silent and apparently indifferent about services and how they would be financed.

Constitutionality. Some people don't think the initiative is constitutional. However, a suit filed contending that Proposition 13 violates a constitutional provision that limits initiatives to one subject failed in the preliminary stage to have it removed from the ballot. The court did agree that the title of the initiative, "property tax limitations," and its ballot summary are not accurate and ordered them rewritten. The court's decision is being appealed.

Impact of Proposition 13 on Stanislaus County government and services

Reduction in property tax revenue. It is difficult to make an accurate forecast since the proposition would have the county collect the 1% tax and apportion it "according to law" to districts within the counties. But as we said earlier, there is no present law within the context of the initiative.

This year the total current property tax levy for all public agencies in the county is \$88.3 million. It is shared this way:

County	\$ 24,286,896	27.5%
Cities	5,785,108	6.6
Schools	55,472,757	62.8
Special Districts	<u>2,748,837</u>	<u>3.1</u>
Totals	\$ 88,293,598	100.0%

There is no certainty these percentages would remain the same if Proposition 13 passes. However, for purposes of comparison between our current situation and what might happen, we have assumed that under Proposition 13 we would share in the same proportion, that is 27.5%

If the initiative passes, we could have a revenue loss of as much as \$13 million.

Effect on services. Without replacement revenue it is obvious there would be a substantial reduction in services. Faced with the problem, it seems logical you would first have to eliminate or curtail the optional services that are not mandated by state law. These include such important services as parks, libraries, animal control, fire warden, cooperative extension, veterans' service, consumer affairs and the drug enforcement unit.

Next you might have to look at certain services that are mandated by law but where you do have something to say about the service levels or the degree of levels. Staffing could be cut back based upon some priority determination. Criminal justice activities could be affected because they are financed almost entirely by county taxes. It is obvious that if there is a significant curtailment of county services, there will be layoffs of regular employees and CETA employees since labor is our major cost item.

Loss of federal revenue sharing funds. There would be a loss of federal revenue sharing funds because the amount of revenue sharing we receive is based partly on local tax effort. These lost revenue sharing funds would be either kept by the federal government, allocated to the other 49 states or to our state government if it acted to raise the taxes necessary to replace the lost property tax revenue. A significant reduction in federal revenue sharing funds would obviously cripple or eliminate any capital improvement program you adopt. You might have to use remaining revenue sharing funds for county services now financed by property taxes.

Loss of home rule. There would be a further loss of what is left of home rule or local decision-making if the county is dependent on the legislature for replacement revenue to maintain our present level of service. You would have to depend more on state government decisions for revenue from state tax sources.

Legislative alternatives to Proposition 13

Last year the legislature tried and failed to enact a property tax relief program. This year the governor has called the legislature into special session to enact a property tax relief bill. Although a number of bills have been introduced, it is apparent that only one may have a chance of success at this time, a bill authored by Senator Behr of Marin County. It would do the following things:

- Cut homeowner's property taxes by approximately 40%.
- Increase present credit for renters from \$37 to \$75 and the amount of household incomes for senior citizens under their tax assistance program from \$5,000 to \$12,000 so they would receive additional rental relief.
- The state would assume the homeowner's share of Medi-Cal, adult welfare and AFDC costs now paid by the county. Counties would be required to cut property taxes on homes to reflect the state assumption of welfare costs.
- The county assessor would have to produce a supplemental roll including only the assessed valuation of owner-occupied property.
- There would be a 5% transfer tax based upon the profit of a home sale payable by the seller.
- There would be a property tax limitation on cities and counties similar to limits suggested in previous bills.
- A sizeable portion of the state's surplus would help finance this program.

A "just in case" bill. Senator Rodda of Sacramento County has introduced legislation which he describes as a "just in case" bill--meaning just in case Proposition 13 passes. He believes the public should know what the implications are if Proposition 13 passes and have an alternative to consider in voting yes or no on Proposition 13. His bill would go into effect only if it passes. In the absence of a legislative property tax relief bill, there is no alternative to Proposition 13.

Senator Rodda's bill would do the following:

- Increase the sales tax 1 cent.
- Extend the sales tax to professional services such as medical, legal and dental.
- Increase the state income tax 20% across the board.
- Increase the bank and corporation tax 40% across the board from the present 9% rate to 12.6%.
- Use \$1.2 billion from the on-going state surplus.

All of this would raise about \$7.25 billion towards aiding local governments. That is within the estimated \$7 to \$8 billion property tax reduction which will occur if it passes.

Policy alternatives

Faced with the possible loss of \$13 million in property tax revenues, what policy decisions should you consider? Here are some possibilities:

- Oppose Proposition 13.
- Urge the legislature to offer an appropriate alternative to Proposition 13 so the voters may have a choice. A property tax relief bill should increase the homeowner's exemption and the renter's tax relief allowances and relieve homeowners (if not all property) from paying property tax costs for Medi-Cal and welfare. Or the state could finance most if not all of the cost of education.
- Support Senator Rodda's "just in case" bill so that replacement revenues will be available and again so that the voters will have tax alternatives to consider when they vote.
- Avoid major commitments to new programs or requests for funds.
- Place a "freeze" on the filling of positions as they become vacant for the rest of the fiscal year, except for management and emergency positions.
- Direct the department heads to prepare a fiscally-conservative budget for 1978-79. For example, you could adopt a policy that would say, among other things, that the current property tax levy for the next fiscal year shall not exceed this year's levy as adjusted by a cost-of-living increase. Another instruction could be that overall the permanent workforce shall not be increased above the present number of authorized positions which now totals 2,254.

Attachments:

Proposition 13, the Jarvis-Gann Initiative

A table prepared by Assessor Broadwell

An analysis of the proposition provided by Assemblyman Thurman

A news item from the Turlock Journal

Editorials from the San Francisco Chronicle, the Los Angeles Times and the California Journal

Turlock Journal
2-8-78

Post Raps Jarvis: 'Not Way To Go'

FRESNO (AP) — Passage of the Jarvis-Gann property tax initiative would make it "much more difficult to enact effective and equitable revenue legislation," says A. Alan Post, the state's fiscal watchdog for 27 years.

The recently retired Post said here Monday Prop. 13 would cause a "tremendous amount of continuous political turmoil" in California.

He said the proposal carries a "sleeper" clause that would limit annual revenue increases to two percent when "no less than a five percent" annual inflation rate is expected in the future.

Another provision of the initiative would require a two-thirds legislative approval of revenue measures rather

than a simple majority.

"Its practical political effect would be to place fiscal powers of the state in the hands of a few legislators," Post said.

Post said the initiative makes no effort to supplant revenues that would be lost to local governments by property tax losses. Estimates of those losses vary from \$6 billion to \$8 billion, he said.

Post said he knows areas that expenses can be reduced in state government but said he is not convinced the magnitude of cuts that would be needed could be done logically.

"I believe the Legislature has not been sufficiently forthright in addressing the problems of inflation," Post said.

And he contended Prop. 13 is "not the way to do it."

Jarvis and Taxes

THE JARVIS/GANN initiative, with its revolutionary revision of the property tax structure, hangs like a lowering thunder cloud over every civic center in the State. And while its almost palpable presence is felt everywhere, the major effect is in Sacramento. There, the initiative is a good deal less welcome in many legislative quarters than the rain-filled puffs of cumulus that recently broke the long drought.

The proposal, which would limit the real property tax collectible by California's 58 counties to 1 percent of full cash value, has obviously tapped some deeply responsive chord in the public. It qualified for the ballot almost without trying—with a resounding 1.2 million signatures, not counting 300,000 that arrived after the deadline.

It also seems to have stimulated a phalanx of letter writers who put pen to paper to tell local editors that Jarvis/Gann has their support. Reasons often vary. But even those who disagree in principle with such a drastic tax revision give it solid support "because it will shake up those guys in Sacramento."

Various city and county officials, noting the violence and seeming inexorability of the coming deluge, are issuing bulletins from the storm cellar. Given a certain understandable self-interest and concomitant exaggeration, these warnings are still worthy of note.

Redwood City's city manager, James C. Fales, Jr., for instance, sees a 50 percent cut in

city revenues. Faced with this kind of loss the community would have to reduce the number of police officers from 69 to 40; close two of four fire stations; shut down both branch libraries and one swimming pool and cut back street cleaning by 50 percent.

And San Francisco's controller, John C. Farrell, told the Board of Supervisors recently that with Jarvis/Gann in effect the city's property tax rolls would generate only \$113,430,206, \$241,073,327 less than under the present system. That's a hefty reduction and one can understand the apprehensive chill that seizes budget makers when they look to a future with Jarvis/Gann.

It is all the more reason to urge the Legislature to get behind a property-tax relief measure of its own—an alternative that will provide the benefit without the destructive slash of the initiative. This would at present appear to be embodied in Republican State Senator Peter Behr's \$2 billion measure, which he says will provide all the "heaven" of Jarvis/Gann "without all the hell attached."

The Tiburon senator's tax proposal was recently reinvigorated and now appears to be the one measure around which the Legislature may stage a constructive rally. A major virtue is that it's a simpler proposal than many propounded in the past. "Everybody gets their taxes cut in half," said Behr recently. "And some get more."

It is of some interest to note that the owner a lower cost home—worth, say, \$30,000 will get a better tax break than even under Jarvis/Gann. An analysis showed that owner would be paying .0098 of his home's market value, or below the magic one per cent of Jarvis/Gann. The owner of a \$60,000 home would have his taxes reduced from \$1410 to \$676.

THE BEHR BILL would also do something for renters, who are ignored in Jarvis/Gann. And as for the \$2 billion revenue shortfall that will come in the wake of the tax break, Behr envisions that half of this could be made up from the State's \$2.5 billion surplus.

The remainder could be achieved through imposition of some kind of transfer tax levied on home resales. In this connection, we support the idea of a graduated tax such as the one proposed by Democratic Senator Jerry Smith of Saratoga that would be smaller for the family that owns a home longer than the average.

The Behr measure meets many of the standards we find necessary in a tax-revision bill. It provides relief for the long-pressed home owner. It is simple. It is not tax revision just for the sake of tax revision, or vengeful kicking at the bureaucratic structure. It contains constructive proposals to make up the lost tax revenue.

It behooves the Legislature to give serious countenance to the Behr bill, and provide some substantive tax relief. Otherwise, there will be no alternative to Jarvis/Gann. And that proposal presently looms nightmare large.

SAN FRANCISCO CHRONICLE

2/12/78

Los Angeles Times

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Pt II

TUESDAY MORNING, FEBRUARY 21, 1978

Preparing for the Worst

Assembly Speaker Leo T. McCarthy had a television debate in San Francisco the other night with Howard Jarvis, the principal promoter of Proposition 13 in the June 6 primary election.

McCarthy put the following question to Jarvis, whose plan to limit property taxes to 1% of market value would cost local governments at least \$7 billion:

If Proposition 13 passes, how would it be possible to keep the libraries open?

Jarvis replied that the schools are doing such a poor job that "63% of the graduates are illiterate anyway," and would have little use for libraries.

It was not a flip answer. Jarvis has never made a secret of his contempt for the way the schools are run, and his constitutional amendment would punish them severely.

The Los Angeles Board of Education came face-to-face with that reality last week. Richard Caldwell, the school district's acting budget director, told the board that enactment of Proposition 13 could require the dismissal of more than half the city's 25,000 teachers and administrators, and he had the arithmetic to back up that claim. If the initiative succeeds and the state does not replace the lost revenues, "we would lose more than \$700 million—it's that simple."

The \$700 million represents 70% of the district's operating budget for kindergarten through 12th grade, excluding special educational projects. A revenue cut of that magnitude, Caldwell continued, would force the district to lay off 14,000 to 15,000 teachers and administrators, and would also compel a drastic reduction in educational services.

The board immediately set plans in motion to mail the dismissal notices—and it was not crying wolf. State law requires that teachers to be laid off in the next school year must be notified by March 15, and administrators by March 1.

We doubt, however, that the mass dismissals will occur. We believe that the state would have no

choice but to replace most of the money that the Jarvis amendment would take away from the schools. But there is no certainty that the Legislature will have the necessary tax increases in place by July 1, when Proposition 13 will become effective if it wins voter approval.

Measures to raise the \$7 billion-plus in new state subventions to local governments and school districts are now in draft form in Sacramento. But they would require a two-thirds vote, and might not pass in time to rescue the schools for the fall term, or to enable the cities and counties to maintain vital public services at the start of the next budget year.

The Board of Education has to deal, then, with a "worst-case" scenario. But we hope that the dismissal letters emphasize that prompt action by the Legislature would remove the necessity for most of the firings.

The leading state tax-increase proposal is by Sen. Albert S. Rodda (D-Sacramento). It would raise the sales tax by 1%, income taxes by 20%, and bank and corporation taxes by 40%; it would also impose an entirely new sales tax of 7% on professional services.

The effect of those new and higher taxes would fall heaviest on small taxpayers, including homeowners—and that fact exposes the hypocrisy of Proposition 13. While reducing property taxes by \$7 billion-plus in California, it would require the "beneficiaries" to dig deeper into other pockets to raise an identical amount in state subventions.

The Legislature has two responsibilities. The first is to enact the standby tax increases. The second, which would cancel future implementation of the higher levies, is to enact its own property-tax and rental-relief measure as an alternative to Proposition 13.

Until it has done both, all local public agencies in California, including the school districts, are justified in preparing for the worst if the Jarvis amendment becomes law.

Personal

PERSPECTIVE

By Ed SALZMAN



Stretching the initiative

What a time Congress picked to consider the adoption of a national initiative system based on the California model. Within the state, the initiative process has gone out of control. There are so many groups seeking signatures you'd think the state didn't have a Legislature.

The most significant issue facing voters this June will be the fate of an initiative proposal, the so-called Jarvis-Gann tax plan. Its fiscal implications are so complex and so far-reaching that the average voter

cannot possibly understand the measure. Some 1.2 million Californians, convinced that property taxes have skyrocketed beyond reason, signed Jarvis-Gann petitions. Now it is the task of the state's political leaders, newspapers and economic experts to convince Californians that the measure is like an immature orange, dollar-green on the outside and sour on the inside.

The first step will be for Governor Brown and the Legislature to agree on a property tax relief program large enough and equitable enough to please the public. The funds to pay for this package would come from the state's large surplus and future growth in personal income tax revenues.

The problem is that this may not have enough voter appeal to compete with the meat-axe Jarvis-Gann approach, which seems to say that the property tax will be cut by two-thirds, period. The fact is that the state would have to levy new taxes to make up for the loss of some \$8 billion in the first year. Look at some of the things Jarvis-Gann would do:

- In order to make up the loss, the state would have to boost income taxes some 150 percent, double the sales tax to 12 percent, or restore taxation on all business inventories and increase the bank and corporation tax from nine to 44 percent — or some combination of the three.
- Renters would get none of the direct benefits of the property-tax reduction, but they would have to pay new taxes on individuals.
- If business taxes were not raised substantially, the lion's share of the relief would go to commercial and industrial firms — not to homeowners.
- Two Californians, owning identical homes side by side, might pay significantly different amounts of property taxes because of a provision in the initiative that would penalize those who move often and favor those who stay put.
- The biggest winner would probably be the federal government, which would collect more income taxes from Californians losing property-tax exemptions and would have to give the state less in revenue-sharing funds.

The initiative process has generally served California well since it was put into the Constitution by the Hiram Johnson reformers 60-odd years ago. It was intended as a threat available to the voters when the politicians placed the desires of special interests ahead of the will of the people.

It is one thing to cajole the Legislature into responsible action, as Jarvis-Gann appears to have done. It is quite another thing to tempt the public with a reduction in taxes without telling the voters how the replacement funds would be provided and precisely how each individual's pocketbook would be affected.

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JARVIS-GANN INITIATIVE

The Jarvis-Gann initiative (attached) which adds Article XIII A to the Constitution, would affect California taxes in three ways: It would set a maximum property tax rate on real property of one percent of full cash value. It would set the full cash value at the county assessors' 1975-76 valuations, to be adjusted upward by two percent annually, except that when property is newly constructed or changes ownership the new appraised value would be used. It would require a two-thirds vote of the Legislature to increase any state taxes, and a two-thirds vote of the qualified electors of any local government to establish any additional local taxes.

Proponents of the initiative have argued that the size and growth of the property tax are the most serious problems of public finance facing California at this time. Thus, absolute limits on the rate and growth of the property tax are desirable since they attack the problem directly. It can also be argued that if shock therapy is needed to realign California's governmental institutions to more clearly reflect the peoples' desires, the initiative provides that shock. At the least, the initiative would impose a form of "instant sunset"--an opportunity to weed out or streamline obsolete or inefficient units of government. Also, by cutting the property tax by two-thirds, the state will be forced to fall back on the progressive income tax and the roughly proportional sales tax for the bulk of the replacement revenue--a move which may be favored by some of those who prefer a more progressive California tax structure. The two-thirds vote requirement will please those who feel that the more difficult it is to increase taxes the better. Finally, it can be argued that passage of this initiative will improve our business climate by signaling to business leaders the California voter's determination to hold down the costs of government.

The Legislative Analyst has indicated that the Jarvis-Gann initiative will reduce the property tax by \$7 to \$8 billion in 1978-79. In addition, with the consequent reduction in "tax effort", local governments will lose a substantial amount of federal revenue sharing funds. In the face of such a property tax cut, the Legislature will probably be forced to replace most of the local loss by increasing state taxes--most likely some combination of the sales, income and corporation taxes which are estimated to produce around \$12 billion in 1978-79. To make up \$7 to \$8 billion, the sales tax could be raised to 13.5% (up from its present 6%), or the income tax could be increased across the board by 150%, or the corporation tax could be increased from 9% to 44%. Probably no single tax would be required to make up the whole amount--perhaps a combination such as an 8½% sales tax, a 50% income tax surcharge and a 20% corporation tax rate would be selected. However, if a major portion of the property tax loss is made up from income and sales taxes rather than the corporation tax, there would be an enormous shift from business taxpayers to individuals. This is because most of the property tax (roughly 65%) is now paid by business while the bulk of the income and sales taxes are paid by individuals. (The effect of the initiative on renters is uncertain. There is no requirement that landlords reduce rents in the amount of their tax savings. But renters would be subject to any new sales or income tax imposed to replace the lost property tax revenue).

The "assessment freeze" provision of the initiative will also cause some serious tax shifts toward individuals over time. All property values will be reset at their 1975-76 levels and then moved upward by 2% per year (or downward if the Consumer Price Index moves downward). New structures, and real property sold after the 1975 assessment, will be set at their market value at the time of completion or sale. Homes, on the average, are sold more frequently than business property, and thus the appraised values of homes will rise much more rapidly than the values of business property. (This factor would be in addition to the present market forces which now force home prices to rise faster than other values.) In addition, the freeze in assessments would have a "locking in" effect, which would discourage homeowners from moving because of the built-in tax increase each time the home is sold. And those whose employment forces them to move frequently would have substantially higher taxes than those who do not move.

The assessment freeze provision would frequently result in severe overassessments. Many properties in California decline in value, whether through deteriorating neighborhoods, shifts in economic activity, fire, flood, etc. The initiative provides no method of adjusting assessments for such reductions in value, other than through the sale of the property. (And

the Legislature would not be able to provide relief other than by proposing another change in the Constitution).

The two-thirds vote requirements also present problems. It has been argued that it is unconstitutional for this initiative to contain a two-thirds vote requirement for state taxes, because that is a subject separate from the property tax limitation, and no initiative may constitutionally cover more than one subject. The local two-thirds requirement refers to "qualified electors" rather than "voters"--those opposed to an increase in local non-property taxes could cast their votes by staying home. This would make increasing local taxes a practical impossibility.

The initiative suffers from unusually poor drafting. A number of the provisions are vague and would have to be clarified through court interpretation or further constitutional amendments.

- The initiative appears to prohibit the levy of property taxes to pay the interest and principal on outstanding bonds which have not been voted by the people. It also prohibits the use of property tax funds for any new bonds, even those approved by a two-thirds vote.
- The initiative provides that the property tax be divided among taxing districts "according to law". Allocation of the funds would be left to future legislative action. (And it is not clear whether the intent is to exclude cities and counties from receipt of property tax funds altogether).
- The limitation only applies to real property on the county assessment rolls. It is not clear whether personal property (boats, inventories, some office furnishings, etc.) and state-assessed property (utilities and common carriers) are to be outside the limit, or whether they are not to be taxed at all.
- It is not clear whether the limit comes before or after the homeowners' exemption. The tax on low valued homes could actually increase if the limit is interpreted to apply before the exemption.
- "Newly constructed" is not defined. It is not clear whether the entire property would be revalued when an addition is made, or whether the assessment rolls would have to maintain the separate valuations of all improvements as they are added.
- Unless the timber yield tax is repealed by future legislation, both property tax and yield tax would apply,

because the 1975-76 roll contains the value of standing timber.

- It is not entirely clear that the one percent limit applies over all jurisdictions in which the real property exists, or whether the limit applies separately to each jurisdiction (i.e., no city, county, or district may levy a tax rate in excess of one percent of full cash value).
- The limit is with respect to "full cash value", but the initiative sets out a definition of "Fair market value". It is not clear whether the terms are intended to be synonymous.

In summary, though the Jarvis-Gann initiative does provide the voters an opportunity to cut substantially both the size and growth of the property tax, it is probably unrealistic to suppose that this will automatically reduce the size of government or the aggregate level of state and local taxes. It is likely that state government will respond with replacement revenue, primarily from the sales and income taxes, and the two inescapable consequences of this will be a shift of tax impact from business to individuals, and a severe curtailment of local control over the provision of government services.

JARVIS-GANN INITIATIVE

That Article XIII A is added to the Constitution to read:

Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the County Assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value", or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation.

(b) The Fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenue collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any section, part, clause, or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect.

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Stanislaus County Assessor's Office

Estimates Prepared by Robert Hollingsworth

February 10, 1978

	<u>Assessed Value</u>	<u>Average 1975 Tax Rate</u>	<u>Taxes on Land & Imps.</u>
Total locally assessed value on land and improvements as of 1975 roll.			
City Codes	318,938,120	11.20	\$35,720,000
Country Codes	290,680,260	9.75	<u>28,341,000</u>
		Total Taxes	\$64,061,000

Estimated total market value
on land and improvements
only and adjusted to 1975.

~~*3,009,900,000 @ 1% =~~

~~\$30,099,000~~

3,131,500,000 #

31,131,500 #

*Due to cyclical assessment reviews this is an estimated total.

Applying 2% increase for two years.

NOTE: The above figures do not include personal property on either the secured or unsecured roll, nor do they include the public utility roll.

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